

AMENDED IN ASSEMBLY MAY 1, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2745**

**Introduced by Assembly Member Kaloogian**  
*(Coauthors: Assembly Members Baldwin, Bock, House,*  
*Maddox, Oller, and Pescetti)*

February 25, 2000

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An act to add Section 7513.6 to the Government Code, relating to public retirement fund investments.

LEGISLATIVE COUNSEL'S DIGEST

AB 2745, as amended, Kaloogian. Public retirement fund investments: national security.

Under the California Constitution, the retirement boards of public pension or retirement systems have plenary authority over the investment of pension funds, subject to their fiduciary duties to the members of the system; however, the Legislature may prohibit specified investments when it is in the public interest to do so and when specified fiduciary standards are satisfied.

This bill, the California State Investment Transparency and Disclosure Act, would state legislative concerns and encourage the Teachers' Retirement Board and the Board of Administration of the Public Employees' Retirement System not to invest in foreign companies that pose a threat to national security, as specified. ~~The bill, and~~ would require the respective boards to ~~require their internal and external fund managers to perform and disclose due diligence with respect~~

~~to potential investments in those companies and to hire an independent auditor to review and report to the board and investigate and report annually to the Legislature regarding present and proposed their investments in those companies, as specified, which reports would be available to the public international corporations doing business in countries meeting specified criteria.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. This act shall be known, and may be  
2 cited as, the California State Investment Transparency  
3 and Disclosure Act.

4 SEC. 2. (a) The Legislature is concerned about  
5 foreign companies that pose threats to national security  
6 through terrorism or the proliferation of weapons of mass  
7 destruction, as documented by the federal Department  
8 of State.

9 (b) The Teachers' Retirement Board and the Board of  
10 Administration of the Public Employees' Retirement  
11 System are encouraged, pursuant to the fiduciary  
12 standards prescribed by Section 17 of Article XVI of the  
13 California Constitution and related statutes, not to invest  
14 in foreign companies that pose those threats.

15 SEC. 3. Section 7513.6 is added to the Government  
16 Code, to read:

17 ~~7513.6. (a) The Teachers' Retirement Board and the~~  
18 ~~Board of Administration of the Public Employees'~~  
19 ~~Retirement System shall require all internal and external~~  
20 ~~fund managers to perform, and disclose to the board, due~~  
21 ~~diligence with respect to potential investments in foreign~~  
22 ~~companies and any threats to national security that those~~  
23 ~~companies may pose.~~

24 ~~(b) (1) The Teachers' Retirement Board and the~~  
25 ~~Board of Administration of the Public Employees'~~  
26 ~~Retirement System shall each hire an independent~~  
27 ~~auditor to study and evaluate present and proposed~~  
28 ~~investments by the respective systems in foreign~~

1 ~~companies, specifically those believed to be involved in~~  
2 ~~terrorism or the proliferation of weapons of mass~~  
3 ~~destruction.~~

4 ~~(2) Each auditor shall report quarterly to their~~  
5 ~~respective boards and to the Legislature regarding its~~  
6 ~~findings with respect to present and proposed~~  
7 ~~investments by the system in foreign companies and,~~  
8 ~~when warranted, may recommend the divestment of~~  
9 ~~investments in specific companies that pose a threat to~~  
10 ~~national security. The reports shall be made available to~~  
11 ~~the public.~~

12 *7513.6. On or before January 15 of each year, the*  
13 *Teachers' Retirement Board and the Board of*  
14 *Administration of the Public Employees' Retirement*  
15 *System, respectively, shall investigate publicly-available*  
16 *information and report to the Legislature regarding the*  
17 *extent to which the assets of the State Teachers'*  
18 *Retirement System and the Public Employees'*  
19 *Retirement System are invested, or were invested during*  
20 *the prior 12 months, in international corporations doing*  
21 *business in countries that are on the Department of*  
22 *State's list of terrorist-sponsoring nations or the*  
23 *Department of the Treasury's list of Foreign Asset*  
24 *Controls, or that are currently under sanctions by the*  
25 *United States.*